

Message Text

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ACTION EB-07

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E.O. 11652: N/A
TAGS: EWWT, PO
SUBJ: LISNAVE REQUESTS USG ASSISTANCE IN OBTAINING
EXPORT CONTRACT

1. MR. ANTONIO BARRETO, DIRECTOR OF LISNAVE, CALLED ON EMBASSY TO REQUEST USG SUPPORT FOR COMPANY'S EFFORT TO OBTAIN EXPORT CONTRACT. LISNAVE IS BIDDING ON A CONTRACT FOR CONSTRUCTION OF A 45,000 TON FLOATING DOCK FOR NORFOLK SHIPBUILDING AND DRY DOCK COMPANY; WEST LIBERTY STREET; NORFOLK, VIRGINIA. BARRETO CLAIMED THAT LISNAVE IS HIGHLY COMPETITIVE, BOTH IN PRICE AND QUALITY. HOWEVER, OTHER MAJOR FOREIGN COMPETITORS (REPORTEDLY NO U.S. SUPPLIERS ARE INVOLVED) ALLEGEDLY CLAIM THAT LISNAVE IS UNDEPENDABLE SUPPLIER DUE TO PORTUGAL'S SOCIAL PROBLEMS. AT REQUEST OF MINISTRY OF FOREIGN TRADE, EMBASSY HAD ADDRESSED LETTER TO NORFOLK SHIPBUILDING AND DRY DOCK COMPANY, STATING THAT WE HAVE NO KNOWLEDGE OF ANY CASE IN WHICH LISNAVE HAS FAILED TO MEET ITS CONTRACT TERMS. EMBASSY KNOWS OF TWO MINOR CASES IN WHICH LISNAVE DID NOT COMPLETE WORK ON SCHEDULE, BUT DELAYS WERE DUE TO FAILURE OF FOREIGN SUB-CONTRACTORS TO MEET THEIR DELIVERY DATES TO LISNAVE.

2. FOLLOWING DATA PROVIDED FOR DEPARTMENT'S INFORMATION. LISNAVE WAS FOUNDED IN 1961 BY PORTUGUESE INTERESTS (PRINCIPALLY THE DE MELLO/CUP GROUP) IN COLLABORATION WITH THREE DUTCH AND TWO SWEDISH SHIPYARDS. THE FIRM'S GIANT SOUTH YARD
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DATES FROM 1967. UNLIKE THE OTHER PRINCIPAL

PORTUGUESE SHIPYARDS, LISNAVE HAS NOT BEEN COMPLETELY NATIONALIZED. HOWEVER, GOP NOW OWNS ABOUT 30 PERCENT, FOREIGN SHIPYARDS RETAIN A 40 PERCENT SHARE, AND THE REMAINING 30 PERCENT IS HELD BY THE AMELIA DE MELLO FOUNDATION. JOSE MANUEL DE MELLO IS TITULAR (ALTHOUGH ABSENTEE) PRESIDENT OF LISNAVE. THE GOP IS REPRESENTED BY A DELEGATE AND THE FOREIGN SHIPYARDS NAME THE SUB-DIRECTOR. LISNAVE HAS 8,500 EMPLOYEES (11,500 IF ITS ASSOCIATED COMPANIES ARE INCLUDED). IT HAS SEVEN DRYDOCKS AND ONE BUILDING DOCK. THE THREE LARGEST DRYDOCKS CAN HANDLE SHIPS OF 100,000; 325,000; AND 1,000,000 DWT. IN 1975 THE YARD DOCKED ABOUT 440 SHIPS; FOREIGN CLIENTS ACCOUNTED FOR 88 PERCENT OF ITS ORDERS. LISNAVE HAS CAPITAL AND RESERVES TOTALLING \$38.3 MILLION (AT CURRENT EXCHANGE RATE). IT REPORTED A 1975 NET LOSS OF \$5 MILLION ON SALES OF \$96.5 MILLION.

3. ACTION REQUESTED: DEPARTMENT IS REQUESTED TO PHONE NORFOLK SHIPBUILDING AND CONFIRM MESSAGE SENT TO IT BY EMBASSY, I.E., THAT LISNAVE HAS TO DATE PROVEN TO BE A RELIABLE SUPPLIER.

4. COMMENT: LISNAVE CLEARLY FACES DIFFICULT SITUATION. ALTHOUGH ITS REPAIR FACILITIES HAVE A REASONABLE VOLUME OF ORDERS, ITS CONSTRUCTION DIVISION WILL HAVE NO WORK TO PERFORM AFTER MARCH 1977 IF IT DOES NOT WIN NEW CONTRACTS. COMPANY'S BID FOR THIS DRY DOCK HIGHLIGHTS DRASTIC MEASURES LISNAVE PREPARED TO TAKE IN ORDER TO SECURE ORDERS. ALTHOUGH CONSTRUCTION COSTS OF THE DRY DOCK WILL REACH APPROXIMATELY \$19 MILLION, LISNAVE IS OFFERING TO CONSTRUCT IT FOR \$15 MILLION. BID AWARD EXPECTED TO BE MADE BY DECEMBER 31, 1976. CARLUCCI

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